

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7317**

**BILL NUMBER:** HB 1350

**NOTE PREPARED:** Feb 4, 2013

**BILL AMENDED:**

**SUBJECT:** Sales and Use Taxes.

**FIRST AUTHOR:** Rep. Cherry

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that a person may not claim a race horse unless the person has on deposit with a permit holder an amount sufficient to pay the Use Tax on the claimed horse. The bill provides for the collection and remittance of the Use Tax on claimed horses for claiming transactions occurring after June 30, 2013. It provides that when a race horse is claimed for a subsequent time, the Use Tax rate is applied to the increase in the claiming price from the previous claiming transaction, if any. The bill also requires the Department of State Revenue to establish an amnesty program for collecting the Use Tax on claiming transactions occurring before June 1, 2012.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Department of State Revenue (DOR)* - This bill could increase the DOR's administrative costs. DOR will be required to administer the amnesty program described in the bill. DOR may also need to revise forms and computer software to incorporate the rules applying to race horse claiming. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

**Explanation of State Revenues:** (Revised) *Use Tax on Claimed Race Horses* - This bill requires that the 7% Use Tax be paid on the amount of the claiming price of a race horse that exceeds the base claiming price, unless it is the initial claiming transaction involving a horse. The base claiming price is equal to the most recent prior price for which a horse was claimed. If the claiming price is less than the base claiming price, then no Use Tax is due on that transaction. For the initial claiming transaction, the Use Tax is imposed on the full claiming

price of the horse.

Under current statute, Use Tax is due on the entire claiming price of each transaction, regardless of base price. DOR estimates that the annual amount of Use Tax due for claiming transactions is approximately \$200,000 to \$250,000. The bill would reduce the Use Tax due by an indeterminable amount.

In 2012 at Indiana Downs, about 2,300 horses were made available for claiming transactions. The average claiming price that was entered for these horses was \$10,450. However, the number of these horses that were actually claimed with a claiming transaction being completed is unknown. Of the 2,300 horses made available for claiming, the entered claiming price exceeded the prior entered claiming price for 380 horses, or about 17% of the total. On average, the difference in entered claiming prices was about \$3,780.

*Amnesty Program for Claiming Transactions* - The bill requires the DOR to establish an amnesty program for taxpayers having an unpaid Use Tax liability for a claiming transaction occurring before June 1, 2012. The state would lose revenue from interest, penalty, and collection fees that would have otherwise been due from taxpayers that participate in the program. DOR estimates that penalty and interest fees due for CY 2009 through CY 2012 are roughly \$100,000 to \$120,000.

Sales and Use Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Local revenues will decrease to the extent that a local unit receives funds from the Commuter Rail Service Fund or the Industrial Rail Service Fund.

**State Agencies Affected:** Department of State Revenue, Horse Racing Commission.

**Local Agencies Affected:**

**Information Sources:** Indiana Downs website, Live Racing 2012 Results, <http://indianadowns.com/>. Shane Corbin, Department of State Revenue.

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